

## Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN PRIORITY

UNCLAS STATE 196868

FOR FUNSETH FROM S/PRS

FOLLOWING REPEAT STATE 196868 TOSEC 200195 ACTION

USDEL SECRETARY DTD 08 AUG

QTE

UNCLAS STATE 196868 TOSEC 200195

FOR FUNSETH FROM S/PRS

E.O. 11652: N/A

TAGS: SOPN (KISSINGER, HENRY)

SUBJECT: TRAVELLING PRESS REPORTAGE, AUGUST 8 MORNING

NO. 13

WIRES

1. POST (LIPPMAN FROM TEHRAN) -- " THE UNITED STATES AND  
IRAN SIGNED AN ECONOMIC AGREEMENT TODAY THAT IS EXPECTED TO  
LEAD TO DOLS 40 BILLION IN TRADE BETWEEN THE TWO COUNTRIES  
IN THE PERIOD 1975 TO 1980. THE FIGURE DOES NOT INCLUDE  
U.S. ARMS SALES TO IRAN, WHICH ARE EXPECTED TO RUN AT DOLS  
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2 BILLION TO DOLS 3 BILLION A YEAR.

UNDER THE ACCORD SIGNED BY U.S. SECRETARY OF STATE HENRY  
A. KISSINGER AND IRANIAN ECONOMIC AFFAIRS MINISTER HUSHANG

ANSARI, U.S. OIL IMPORTS FROM IRAN ARE TO RISE FROM LAST YEAR'S LEVEL OF 116 MILLION BARRELS TO AN ESTIMATED 168 MILLION BARRELS IN 1977.

THE SIGNING CEREMONY CAPPED A TWO-DAY VISIT BY KISSINGER THAT EMPHASIZED THE CLOSE RELATIONS THAT HAVE DEVELOPED BETWEEN THE UNITED STATES AND IRAN, WHOSE POLICIES KISSINGER DESCRIBED AS 'MUTUALLY SUPPORTIVE.'

THE AGREEMENT SIGNED TODAY MEANS THAT THE UNITED STATES PROBABLY WILL OVERTAKE WEST GERMANY AS IRAN'S BIGGEST TRADING PARTNER, THE TWO OFFICIALS SAID.

LEFT UNCLEAR IN TODAY'S CEREMONIES AND ANNOUNCEMENTS IS THE FATE OF THE PROPOSED POWER PLANTS. KISSINGER AND OTHER U.S. OFFICIALS SAID THE SALE HAD BEEN DELAYED BY COMPLI-CATED NEGOTIATIONS ON HOW TO DEAL WITH THE SPENT NUCLEAR FUEL THE PLANTS WOULD PRODUCE.

IN ADDITION TO PRAISING IRANIAN FOREIGN POLICY IN HIS COMMENTS TODAY, KISSINGER ALSO VIGOROUSLY DEFENDED U.S. ARMS SALES TO IRAN, WHICH WERE CRITICIZED BY A SENATE STUDY LAST WEEK AS BEING 'OUT OF CONTROL.'

KISSINGER SAID THE ARMS SALES, WHICH ARE PROJECTED TO CONTINUE AT THE SAME LEVEL AS THE PAST FOUR YEARS, ARE 'NOT A FAVOR TO IRAN.' IT IS 'IN THE INTEREST OF THE UNITED STATES,' HE SAID, TO SUPPLY ARMS TO AN ALLY AGAINST 'POTENTIAL THREATS' FROM ITS NEIGHBORS.

IN AN EXCHANGE OF TOASTS LAST NIGHT, WHEN ANSARI EXPRESSED DISAPPOINTMENT THAT AMERICANS DO NOT HAVE 'ENOUGH APPRECIATION' FOR IRAN AS A BULWARK AGAINST COMMUNISM, KISSINGER REPLIED, 'THE PRESIDENT AND THE SECRETARY OF STATE AND THE GOVERNMENT OF THE UNITED STATES DO APPRECIATE THE NATURE OF THIS RELATIONSHIP.'

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KISSINGER, WHO USED THE PERIOD 1975-80 IN REACHING THE DOLS 40 BILLION TRADE FIGURE, BROKE IT DOWN AS FOLLOWS:

-----DOLS 14 BILLION IN OIL SALES BY IRAN TO THE UNITED STATES.

-----DOLS 2 BILLION IN U.S. IMPORTS FROM IRAN OF OTHER GOODS, SUCH AS PETROCHEMICALS.

-----DOLS 24 BILLION IN U.S. SALES OF OTHER GOODS AND SERVICE TO IRAN.

WITH ANTICIPATED MILITARY PURCHASES, THE TOTAL VALUE OF

TRADE BETWEEN THE TWO COUNTRIES OVER THE FIVE-YEAR PERIOD NOW IS ESTIMATED AT BETWEEN DOLS 50 BILLION AND DOLS 55 BILLION, UP FROM A PREVIOUS ESTIMATE OF DOLS 36 BILLION.

ANSARI SAID IT WAS IRAN'S OBJECTIVE TO REACH A BALANCE OF TRADE WITH THE UNITED STATES, BUT HE ADDED THAT THIS COULD

NOT BE ACHIEVED DURING A PERIOD OF RAPID DEVELOPMENT IN IRAN.

THE AGREEMENTS ANNOUNCED TODAY ARE THE LATEST STEP IN A LONG-RANGE ECONOMIC ACCORD FIRST ANNOUNCED BY KISSINGER AND ANSARI IN MARCH 1975. THE NUCLEAR POWER PLANTS FIGURED PROMINENTLY IN THAT ANNOUNCEMENT, BUT THE NUCLEAR PART OF THE TRADE RELATIONSHIP HAS BEEN STALLED BY A DISPUTE OVER THE ECONOMIC VALUE OF THE SPENT NUCLEAR FUEL, AUTHORITATIVE U.S. SOURCES SAID.

IRAN IS SEEKING PRECEDENT-SETTING ARRANGEMENT BY WHICH IT WOULD EITHER BE ALLOWED TO KEEP THE SPENT FUEL AND REPROCESS IT, OR BE COMPENSATED FOR ITS VALUE IF THE UNITED STATES DECIDED TO RECLAIM IT, THE SOURCES SAID.

WHILE KISSINGER SAID THAT THE DISCUSSIONS ON THE NUCLEAR PLANTS SALE HAD BEEN 'EXTREMELY FRUITFUL,' THE FINAL ARRANGEMENTS FOR THE MULTI-BILLION DOLLAR SALE AWAIT AN ANSWER TO THE QUESTION OF WHO WILL PAY FOR THE COMMERCIAL COSTS OF NONPROLIFERATION.

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UNDER RECENT DEALS SIGNED WITH EGYPT AND ISRAEL, THE UNITED STATES WILL RECLAIM SPENT FUEL, U.S. OFFICIALS SAID, BECAUSE NEITHER COUNTRY HAS SIGNED THE NUCLEAR NON-PROLIFERATION TREATY. IRAN, HOWEVER, HAS SIGNED THE TREATY AND THE SHAH OF IRAN HAS PLEDGED THAT THIS COUNTRY WILL NEVER ARM ITSELF WITH NUCLEAR WEAPONS.

THE IRANIANS ARE INSISTING THAT SINCE THEY WILL PAY FOR THE NUCLEAR FUEL IN THE FIRST PLACE, THEY SHOULD BE COMPENSATED IF THE UNITED STATES SEEKS TO RECLAIM THE SPENT MATERIALS, THE U.S. SOURCES SAID."

2. NEW YORK TIMES (GWERTZMAN FROM TEHRAN) -- THE UNITED STATES AND IRAN ANNOUNCED TODAY THAT IRAN PLANNED TO MAKE DOLS 10 BILLION IN MILITARY PURCHASES FROM THE UNITED STATES AS PART OF MOUNTING TRADE BETWBEN THE TWO COUNTRIES THAT WOULD TOTAL ABOUT DOLS 50 BILLION BETWEEN LAST YEAR AND 1980.

IN AN EFFORT TO underscore THE GROWING POLITICAL, ECONOMIC AND MILITARY TIES BETWEEN WASHINGTON AND TEHERAN, SECRETARY OF STATE HENRY A. KISSINGER AND IRAN'S ECONOMIC MINISTER,

HUSHANG ANSARI, SIGNED A COMMUNIQUE HERE THIS AFTERNOON AFTER A TWO-DAY MEETING OF THE IRAN-AMERICAN JOINT COMMISSION. THE COMMUNIQUE SET FORTH AMBITIOUS GOALS OF COOPERATION FOR THE REST OF THE DECADE.

THESE TALKS--AND A MEETING MR. KISSINGER HELD YESTERDAY WITH SHAH MOHAMMED RIZA PALEHVI HAVE TAKEN PLACE AMID CONCERN ON CAPITOL HILL OVER THE RISING ARMS SALES TO IRAN.

BUT THE TARGETS SET BY THE TWO GOVERNMENTS SHOW NO SIGN OF REDUCTIONS. THE ARMS SALES PROJECTED BY MR. KISSINGER AT A NEWS CONFERENCE, HOWEVER, APPEAR TO BE LESS THAN THE CURRENT LEVEL OF IRANIAN MILITARY PURCHASES, WHICH HAVE RECENTLY BEEN RUNNING AT MORE THAN DOLS 2 BILLION YEARLY. MR. KISSINGER SAID THAT IT WAS EXPECTED THAT DOLS 10 BILLION IN ARMS WOULD BE SOLD OVER THE SIX-YEAR PERIOD, FOR AN AVERAGE OF ABOUT DOLS 1.7 BILLION YEARLY.

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MR. ANSARI "AID, HOWEVER, THAT THIS PROJECTION DID NOT INCLUDE ANY UNFORSEEN DEVELOPMENTS, SUCH AS AGREEMENTS ON A BARTER ARRANGEMENT OF OIL FOR ARMS THAT IS NOW UNDER DISCUSSION.

BEYOND 1980, TRADE IS SURE TO INCREASE EVEN FASTER WHEN A SALE OF EIGHT AMERICAN NUCLEAR-POWER REACTORS TO IRAN IS TO BEGIN. NEGOTIATIONS TO INSURE THAT THESE REACTORS CANNOT BE USED TO MAKE MATERIAL FOR NUCLEAR WEAPONS ARE NOW NEAR COMPLETION, MR. KISSINGER SAID.

YESTERDAY THE SHAH EXPRESSED DISPLEASURE WITH A UNITED STATES SENATE STUDY THAT WAS CRITICAL OF IRAN'S ARMS PURCHASES.....

MR. KISSINGER, IN A TOAST LAST NIGHT AT A DINNER GIVEN BY MR. ANSARI, WENT OUT OF HIS WAY TO ASSUAGE IRANIAN FEELINGS. HE SAID THAT COOPERATION BETWEEN THE TWO NATIONS WAS 'IN THE PROFOUND NATIONAL INTEREST OF BOTH COUNTRIES.'

WHEN ASKED AT THE NEWS CONFERENCE WHY THE UNITED STATES SOLD ARMS ON SUCH A SCALE TO IRAN, MR. KISSINGER NOTED IRAN'S BORDERS WITH THE SOVIET UNION AND SOVIET-BACKED IRAQ, AND SAID:

'IF ONE LOOKS AT THE THREATS, THE POTENTIAL THREATS, THAT IRAN FACES AND THE ARMAMENTS OF ITS NEIGHBORS AND THE ROLE IRAN HAS, ITS EFFORTS AT SELF-DEFENSE IS STRONGLY IN THE AMERICAN INTEREST AND IS NOT A FAVOR WE DO FOR IRAN.'

PAID FOR IN CASH --

MR. KISSINGER SAID THAT IRAN PLAYED A STABILIZING ROLE IN THE MIDDLE EAST AND SOUTH ASIA AND THAT IT WAS 'IN THE NATIONAL INTEREST OF THE UNITED STATES' TO SUPPLY IRAN WITH ARMS, WHICH HE EMPHASIZED WERE PAID FOR IN CASH BY IRAN AND WERE NOT GIFTS.

LAST YEAR IRAN AND THE UNITED STATES ANNOUNCED THAT THE UNCLASSIFIED

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TOTAL TRADE OF THE TWO COUNTRIES EXCLUSIVE OF OIL WOULD PROBABLY AMOUNT TO DOLS 15 BILLION FOR THE PERIOD 1975 TO 1979. BUT TODAY MR. KISSINGER SAID THAT THOSE FIGURES HAD BEEN DISCARDED AND THAT THE NEW PROJECTIONS WERE MORE ACCURATE.

HE SAID THAT IT WAS NOW EXPECTED THAT TOTAL TRADE BETWEEN THE TWO COUNTRIES FOR THE SIX YEARS FROM 1975 THROUGH 1980 WOULD BE DOLS 50 BILLION. THE UNITED STATES HE SAID, WOULD SELL IRAN DOLS 34 BILLION IN GOODS, AND SERVICES, OF WHICH DOLS 10 BILLION WOULD BE MILITARY AND DOLS 24 BILLION FOR CIVILIAN USE; THE IRANIANS WOULD SELL THE UNITED STATES DOLS 16 BILLION WORTH OF GOODS, OF WHICH DOLS 14 BILLION WOULD BE OIL.

IT WAS ESTIMATED TODAY THAT TOTAL TRADE LAST YEAR WAS ABOUT DOLS 7 BILLION, THE AVERAGE PROJECTED FOR THE END OF THE DECADE.

THE UNITED STATES WILL BECOME THE LARGEST TRADING PARTNER FOR IRAN, OVERTAKING WEST GERMANY, MR. ANSARI SAID.....

MR. KISSINGER ALSO DISCLOSED THAT MAJOR PROGRESS HAD BEEN MADE IN THE RESOLUTION OF THE NUCLEAR ISSUE. TO PREVENT THE SPREAD OF NUCLEAR WEAPONS, THE UNITED STATES HAS SOUGHT IRONCLAD ASSURANCES, AND IRAN, ALREADY PLEDGED NOT TO MAKE SUCH WEAPONS, HAD RESENTED THE AMERICAN PRESSURE.

NOW, MR. KISSINGER SAID, IRAN WILL AGREE NOT TO REPROCESS SPENT URANIUM BUT WILL SEND IT OUT OF THE COUNTRY AND WILL BE COMPENSATED FOR IT WITH THE UNITED STATES HELP.

OFFICIALS SAID THAT IN THE LIST OF COOPERATION ACCORDS ALSO MADE PUBLIC TODAY IN THE AREA -HE MOST IMPORTANT WAS ON COOPERATION IN RESEARCH FOR MAKING A PLANT USING SOLAR ENERGY."

2. EVENING TV SATURDAY, AUGUST 7:

RATHER, CBS: SECRETARY OF STATE KISSINGER SAID TODAY IN UNCLASSIFIED

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TEHRAN THAT THE UNITED STATES PROBABLY WILL CONTINUE SELLING LARGE AMOUNTS OF WEAPONS TO IRAN OVER THE NEXT FOUR YEARS. MORE ON THAT SUBJECT FROM BERNARD KALB IN WASHINGTON.

KALB: NO FORMAL AGREEMENT WAS SIGNED ON THE PROJECTED ARMS SALES TO IRAN OF BETWEEN TWO AND THREE BILLION DOLLARS A YEAR THROUGH 1980. KISSINGER DID SAY, HOWEVER, THAT BOTH GOVERNMENTS HAD AGREED TO THE PROJECTION, BUT THE IMMEDIATE QUESTION IS WHETHER CONGRESS WILL AGREE. EARLIER THIS WEEK THE SENATE FOREIGN RELATIONS COMMITTEE ISSUED A REPORT HIGHLY CRITICAL OF THE SCOPE OF ARMS SALES TO IRAN OVER THE PAST FIVE YEARS, THE TOTAL AMOUNTING TO MORE THAN 10 BILLION DOLLARS. THE REPORT CHARGED THAT THESE SALES TO IRAN HAD BALLOONED OUT OF CONTROL SINCE FORMER PRESIDENT NIXON SECRETLY AGREED IN 1972 TO SELL IRAN VIRTUALLY ANY CONVENTIONAL WEAPONS IT WANTED. THE SHAH OF IRAN, TALKING TO AMERICAN REPORTERS YESTERDAY, REJECTED THE OUT-OF-CONTROL CHARGE. HE MAINTAINED THAT THE MASSIVE ARMS SALES FROM THE U.S. WERE VITAL TO THE SECURITY OF THE NON-COMMUNIST WORLD, AND THE SHAH ALSO CHALLENGED THE U.S. IN ARMS SALES SAYING, 'CAN THE U.S. AFFORD TO LOSE IRAN? DO YOU HAVE ANY CHOICE?' THIS LATEST NEWS FROM IRAN PROJECTING THE POSSIBILITY OF STILL ANOTHER 10 BILLION IN ARMS THROWS THAT QUESTION DIRECTLY TO CONGRESS AND IT WILL BE CONGRESS THAT WILL HELP SHAPE AMERICA'S FINAL ANSWER.

JOHN HART, NBC: SECRETARY OF STATE KISSINGER IN IRAN SIGNED A 40 BILLION DOLLAR TRADE DEAL WITH THE IRANIAN FOREIGN MINISTER HUSHANG ANSARI TODAY AND KISSINGER SAID IRAN IS GOING TO BUY IN ADDITION 10 TO 15 BILLION DOLLARS WORTH OF AMERICAN WEAPONS IN THE NEXT FOUR YEARS. LAST WEEK A SENATE COMMITTEE SAID ARMS SALES TO IRAN ARE OUT OF CONTROL. THE WHITE HOUSE SAID THEY ARE NOT. KISSINGER SAID TODAY THE ROLE IRAN PLAYS IN ITS OWN SELF-DEFENSE IS STRONGLY IN AMERICAN INTERESTS. HABIB UNQTE KISSINGER

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